

BARREN COUNTY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2008**

BARREN COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2008

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	17
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Assets – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	22

BARREN COUNTY BOARD OF EDUCATION

TABLE OF CONTENTS - CONTINUED

YEAR ENDED JUNE 30, 2008

Notes to Basic Financial Statements	23-41
Supplementary Information:	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	43
Statement of Receipts, Disbursements and Fund Balances – Barren County High School Activity Funds	44
Statement of Receipts, Disbursements and Fund Balances – Middle School and Elementary Schools Activity Funds	45
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48-49
Schedule of Prior Year Audit Findings	50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	51-52
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Compliance in Accordance with OMB Circular A-133	53-54
Management Letter	55-56
Management Letter Comments	57

CAMPBELL, MYERS & RUTLEDGE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
CHARLES E. RUTLEDGE, CPA
CINDY L. GREER, CPA
L. JOE RUTLEDGE, CPA
JONATHAN W. BELCHER, CPA

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-8677

Independent Auditor's Report

WILLIAM E. MYERS, CPA
R. BRENT BILLINGSLEY, CPA
SAMMIE D. PARSLEY, CPA

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Barren County Board of Education as of and for the year ended June 30, 2008, which collectively comprise the Barren County Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Barren County Board of Education's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards; issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Barren County Board of Education as of June 30, 2008, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2008 on our consideration of the Barren County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barren County Board of Education basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements of Barren County Board of Education. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

November 25, 2008

**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

As management of the Barren County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,146,595 in the General Fund .
- State revenue for the Capital Outlay Fund increased \$3,716,000 over 06-07. Under the auspices of House Bill 269, the Board of Education voted to use \$407,870 of Capital Outlay funds to offset general fund maintenance expenditures and property insurance.
- State revenue for the Building Fund decreased by \$40,988, but tax revenue increased by \$96,927, resulting in an overall increase of \$55,939 (1.7%).
- There was one interfund transfer from the General Fund to the KETS grant for the technology offer of assistance in the amount of \$52,151.
- The General Fund had \$33,739,452 in revenue, which includes \$6,327,537 in on behalf payments. General Fund expenditures were \$32,925,131, with a carryover of \$814,320.
- The new transition center, Trojan Academy, was completed for occupation the first day of the 2007-08 school term. Trojan Academy, an innovative concept connecting Barren County High School and Barren County Middle School, houses all freshmen students and provides classes for Middle School students in Math. This project also involved major building and grounds renovation for Barren County High School.
- Fund 54 is a proprietary fund for the community education classes, in which enrollees pay fees to reimburse instructors and the board holds unclaimed flex account funds for disbursement to employees.
- Fund 61 is a proprietary fund for the operation of the after school program, Trojan Times, initiated during 02-03 to provide after school care and homework help for our students in conjunction with ESS activities to improve scholastic performance and enrichment activities to which students may not otherwise have access.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service operations (Fund 51), after school program (Fund 52), adult community education program (Fund 54), and fiscal agent fund, Trojan Times (Fund 61).

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$62,360,711 as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2008 in comparison to June 30, 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current assets	\$ 3,280,648	\$ 5,457,922
Noncurrent assets	<u>62,230,305</u>	<u>61,824,147</u>
Total assets	\$ 65,510,953	\$ 67,282,069
Current liabilities	\$ 4,283,492	\$ 5,772,495
Noncurrent liabilities	<u>46,980,626</u>	<u>47,433,293</u>
Total liabilities	\$ 51,264,118	\$ 53,205,788
Net assets:		
Investment in capital assets (net of debt)	\$ 12,901,791	\$ 11,978,732
Restricted	1,053,435	1,744,503
Unrestricted	<u>291,609</u>	<u>353,046</u>
Total net assets	<u>\$ 14,246,835</u>	<u>\$ 14,076,281</u>

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2008.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues:		
Local revenue sources	\$ 9,931,706	\$ 9,330,817
State revenue sources	32,814,766	29,263,636
Other sources	<u>619,649</u>	<u>282,717</u>
Total revenues	\$ 43,366,121	\$ 38,877,170
Expenses:		
Instruction	\$ 26,008,718	\$ 23,194,054
Student support services	1,199,758	1,021,133
Instructional support	1,734,551	1,515,864
District administration	810,802	850,021
School administration	1,641,808	1,585,457
Business support	884,878	478,976
Plant operations	3,744,551	3,343,683
Student transportation	2,541,145	2,034,030
Central office	-	225,220
Facilities acquired	875,130	2,046,403
Community service act	353,387	331,152
Other	112,526	442,942
Interst on long-term debt	1,904,746	1,558,968
Depreciation	<u>2,031,959</u>	<u>1,706,871</u>
Total expenses	\$ 43,843,959	\$ 40,334,774
Change in net assets	<u>\$ (477,838)</u>	<u>\$ (1,457,604)</u>

General Fund Revenue Chart 1.

The majority of revenue was derived from state sources (72.22%) with local funding making up 23.7% of total revenue, beginning balance 3.4 %, federal revenue .09%,and other sources .59%.

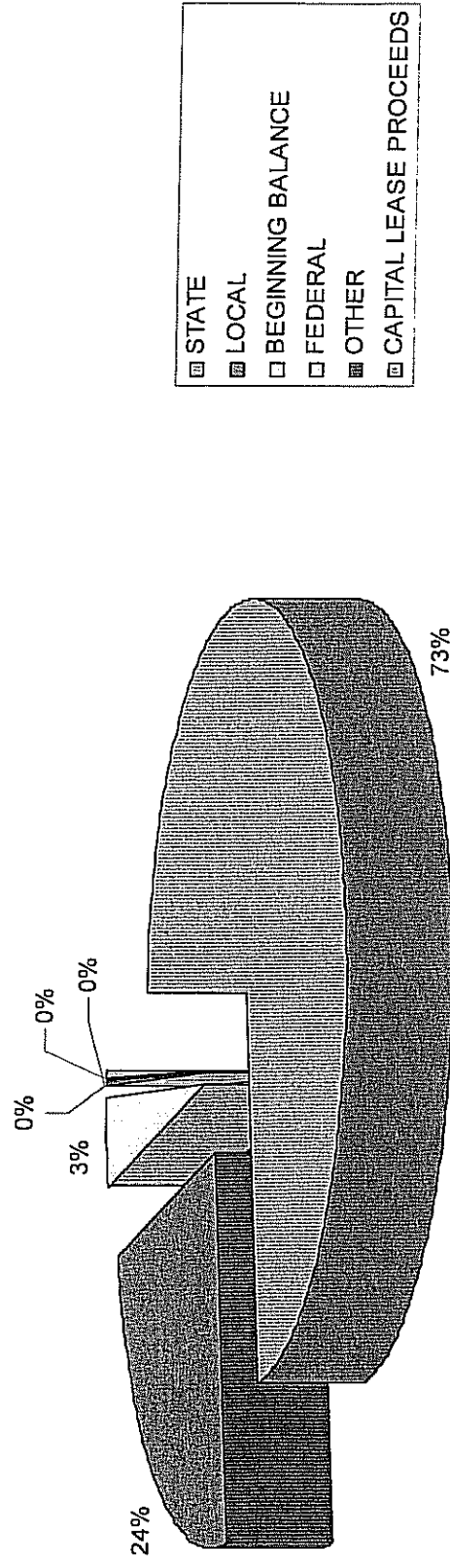
General Fund Expenditures Chart 2.

Site Based Decision Making Councils expended 65.83% of the general fund budget. The remaining 34.17% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, new construction and renovation. A breakdown of these expenditures is found in Chart 2.

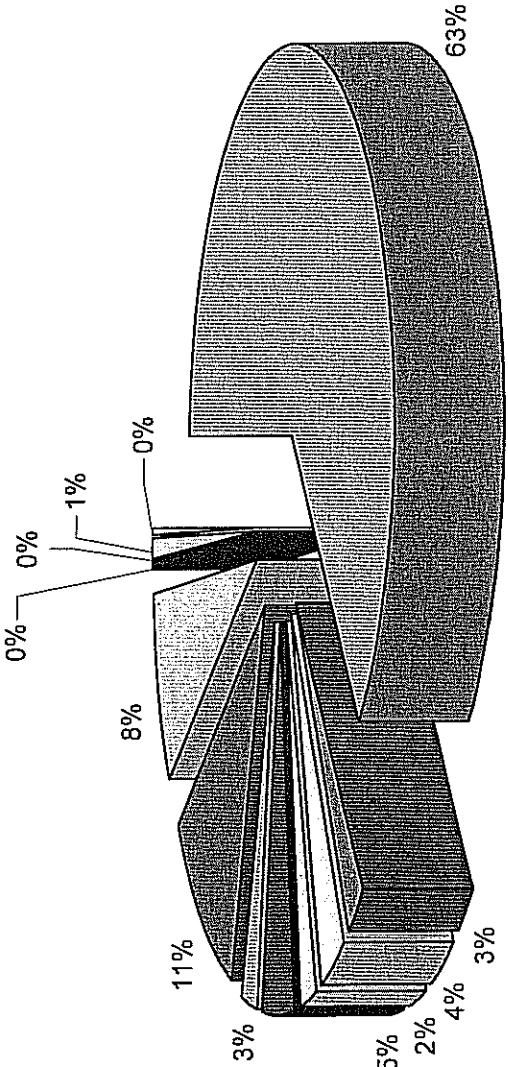
District Wide Support Services Chart 3.

District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.

General Fund Revenue

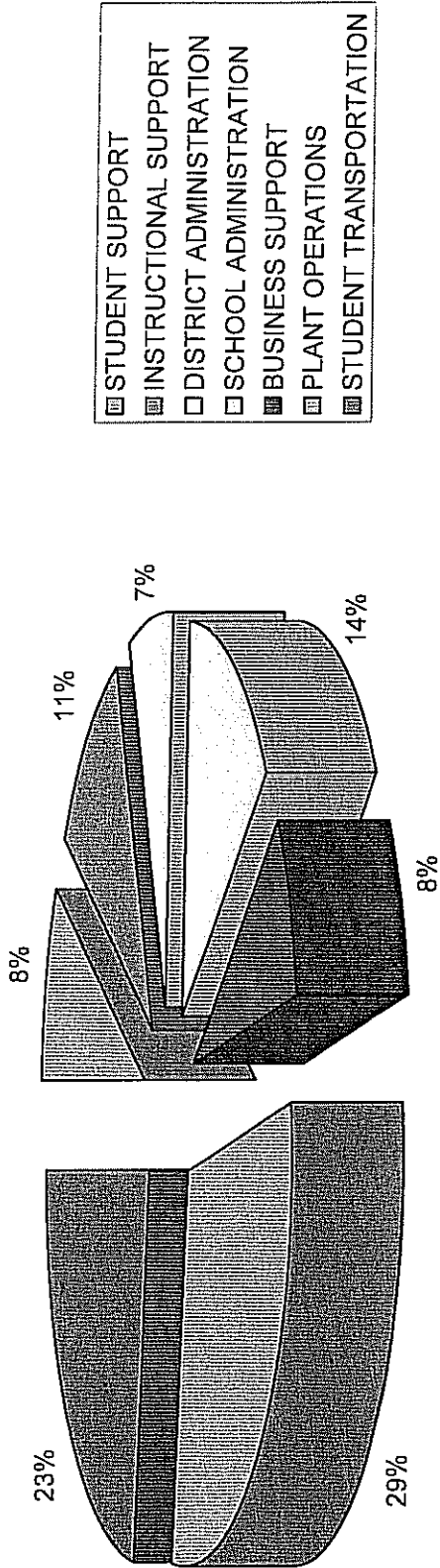


General Fund Expenditures



- SBDM INSTRUCTION
- STUDENT SUPPORT
- INSTRUCTIONAL SUPPORT
- DISTRICT ADMINISTRATION
- SCHOOL ADMINISTRATION
- BUSINESS SUPPORT
- PLANT OPERATIONS
- STUDENT TRANSPORTATION
- NEW BUILDING CONSTRUCTION
- BUILDING RENOVATION
- PORT SERVICE

District Wide Support Services



**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

Long Term Debt

Long-term debt payments in the amount of \$3,270,139.53 were expended during 2007-08 for the following bond issues:

Bond series 1998 (Red Cross Elementary)
Bond series 1998-2 (Austin Tracy Elementary)
Bond series 1998R (BCHS Auditorium)
Bond series 2001 (Park City Elementary)
Bond series 2002 (Temple Hill Elementary)
Bond series 2002R (Barren County Middle School)
Bond series 2004 (Middle School/Vocational School/Eastern)
Bond series 2005R (Hiseville)
Bond series 2006 (Trojan Academy)
Bond Series Energy Management

Interest in the amount of \$1,768,396.53 and bond principal payments in the amount of \$1,423,518.00 were expended from the Building Fund. General Fund interest and principal in the amount of \$78,225.00 was expended for Energy Management Bond Series.

BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 to June 30: other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The Barren County Board of Education adopted a budget for 2007-08 with a 2.3% contingency. Significant Board action that impacts financial status included a 1% pay increase for certified and classified employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of such Board initiatives as student accident insurance coverage, fee money provision for elementary and middle school students, textbook money for high school students, resource curriculum specialists for all grade levels, technology resource specialists, all day kindergarten, open enrollment for preschool students, after school child care, summer feeding program, additional technology money, MAP testing for grades 3 through 9, and additional preschool funding. One new facility completed for use during the 07/08 school year was Trojan Academy, along with major renovations at Barren County High School. Plans continue for the construction of a new elementary school to address our growing student population with the purchase of land and filing of initial documents for the new building with the facility division.

Questions regarding this report should be directed to the Superintendent Jerry Ralston, Ed.D. (270-651-3787) or to Sarah H. Vincent, Director of Financial Services (270-651-3787) or by mail at 202 W. Washington Street, Glasgow, Ky 42141.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 361,183	\$ -	\$ 361,183
Inventory	-	58,823	58,823
Accounts receivable			
Taxes - current	423,609	-	423,609
Taxes - delinquent	-	-	-
Accounts receivable	109,918	2,519	112,437
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	977,207	45,013	1,022,220
Prepaid expenses	25,400	-	25,400
Investments	1,276,976	-	1,276,976
Total current assets	<u>3,174,293</u>	<u>106,355</u>	<u>3,280,648</u>
<u>Noncurrent Assets:</u>			
Capital assets	77,909,849	8,396,333	86,306,182
Less: accumulated depreciation	<u>(21,885,501)</u>	<u>(2,190,376)</u>	<u>(24,075,877)</u>
Total noncurrent assets	<u>56,024,348</u>	<u>6,205,957</u>	<u>62,230,305</u>
Total assets	<u>59,198,641</u>	<u>6,312,312</u>	<u>65,510,953</u>
Liabilities:			
<u>Current Liabilities:</u>			
Checks issued in excess of cash	846,434	95,037	941,471
Accounts payable	303,931	8,114	312,045
Accrued payroll and related expenses	-	-	-
Deferred revenue	130,773	-	130,773
Current portion of bond obligations	1,935,000	-	1,935,000
Current portion of capital lease obligations	350,601	-	350,601
Current portions of accrued sick leave	-	-	-
Interest payable	<u>613,602</u>	<u>-</u>	<u>613,602</u>
Total current liabilities	<u>4,180,341</u>	<u>103,151</u>	<u>4,283,492</u>
<u>Noncurrent liabilities:</u>			
Noncurrent portion of bond obligations	45,262,600	-	45,262,600
Noncurrent portion of capital lease obligations	1,192,111	-	1,192,111
Noncurrent portion of accrued sick leave	<u>525,915</u>	<u>-</u>	<u>525,915</u>
Total noncurrent liabilities	<u>46,980,626</u>	<u>-</u>	<u>46,980,626</u>
Total liabilities	<u>51,160,967</u>	<u>103,151</u>	<u>51,264,118</u>
Net Assets:			
Invested in capital assets, net of related debt	6,695,834	6,205,957	12,901,791
Restricted for:			
Capital projects	-	-	-
Construction	(237,302)	-	(237,302)
Debt service	1,290,737	-	1,290,737
Special revenue	-	-	-
Other purposes (nonexpendable)	-	-	-
Unrestricted	<u>288,405</u>	<u>3,204</u>	<u>291,609</u>
Total net assets	<u>\$ 8,037,674</u>	<u>\$ 6,209,161</u>	<u>\$ 14,246,835</u>

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 26,008,718	\$ -	\$ 6,141,653	\$ -	\$ (19,867,065)
Support Services					
Student	1,199,758	-	-	-	(1,199,758)
Instruction staff	1,734,551	-	-	-	(1,734,551)
District administrative	810,802	-	-	-	(810,802)
School administrative	1,641,808	-	-	-	(1,641,808)
Business	884,878	-	-	-	(884,878)
Plant operations and maintenance	3,744,551	-	-	-	(3,744,551)
Student Transportation	2,541,145	-	-	-	(2,541,145)
Central office	-	-	-	-	-
Facilities acquisition and construction	875,130	-	-	-	(875,130)
Community service activities	353,387	-	-	-	(353,387)
Other	112,526	-	-	-	(112,526)
Interest on long-term debt	1,904,746	-	-	-	(1,904,746)
Depreciation (unallocated)	2,031,959	-	-	-	(2,031,959)
Total governmental activities	43,843,959	-	6,141,653	-	(37,702,306)
Business-Type Activities					
Food Service	3,184,211	1,150,980	1,592,174	131,020	(310,037)
Adult Education	18,455	16,392	-	-	(2,063)
Total business-type activities	3,202,666	1,167,372	1,592,174	131,020	(312,100)
Total primary government	\$ 47,046,625	\$ 1,167,372	\$ 7,733,827	\$ 131,020	\$ (38,014,406)
General Revenues:					
Taxes:					
Property taxes					\$ 6,849,352
Motor vehicle taxes					-
Utilities					1,963,239
Other					-
Investments earnings					959,559
State and formula grants					2,425
Miscellaneous					-
Total general revenues					960,492
Change in net assets					648,392
Net assets - beginning (as restated)					5,560,769
Net assets - ending					\$ 6,209,161
Total primary government					\$ 14,246,835

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:						
Cash and cash equivalents	\$ 288,859	\$ -	\$ 58,563	\$ 13,761	\$ -0-	\$ 361,183
Inventories	-	-	-	-	-	-
Accounts receivable:						
Taxes-current	423,609	-	-	-	-	423,609
Taxes-delinquent	-	-	-	-	-	-
Accounts receivable	109,918	-	-	-	-	109,918
Intergovernmental-state	-	-	-	-	-	-
Intergovernmental - indirect federal	-	977,207	-	-	-	977,207
Prepaid expenses	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Investments	-	-	-	1,276,976	-	1,276,976
Total assets and resources	\$ 822,386	\$ 977,207	\$ 58,563	\$ 1,290,737	\$ -0-	\$ 3,148,893
Liabilities and fund balance:						
Liabilities:						
Accounts payable	\$ 8,066	\$ -	\$ 295,865	\$ -0-	\$ -0-	\$ 303,931
Checks issued in excess of cash	-	846,434	-	-	-	846,434
Accrued payroll and related expenses	-	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-	-
Deferred revenues	-	130,773	-	-	-	130,773
Total liabilities	8,066	977,207	295,865	-	-	1,281,138
Fund balances:						
Reserved for:						
Inventory and fixed assets	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-
Accrued sick leave	-	-	-	-	-	-
Unreserved:						
Undesignated, reported in:						
General fund	814,320	-	-	-	-	814,320
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Debt service funds	-	-	-	1,290,737	-	1,290,737
Construction funds	-	-	(237,302)	-	-	(237,302)
Total fund balances	814,320	-	(237,302)	1,290,737	-	1,867,755
Total liabilities and fund balances	\$ 822,386	\$ 977,207	\$ 58,563	\$ 1,290,737	\$ -0-	\$ 3,148,893

See independent auditor's report and accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008**

Total fund balance per fund financial statements	\$ 1,867,755
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	56,024,348
--	------------

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(49,854,429)</u>
---	---------------------

Net assets for governmental activities	<u>\$ 8,037,674</u>
--	---------------------

BARREN COUNTY BOARD OF EDUCATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	\$ 4,814,764	\$ -	\$ -	\$ -	\$ 2,034,588	\$ 6,849,352
Motor vehicles	886,591	-	-	-	-	886,591
Utilities	1,963,239	-	-	-	-	1,963,239
Other	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-
Earnings on investments	101,450	1,830	128,613	631	-	232,524
Other local revenues	231,700	155,324	-	-	-	387,024
Intergovernmental - intermediate	-	-	-	-	-	-
Intergovernmental-state	24,364,983	2,755,657	-	626,803	1,649,610	29,397,053
Intergovernmental-indirect federal	-	3,385,996	-	-	-	3,385,996
Intergovernmental-direct federal	31,717	-	-	-	-	31,717
Total revenues	32,394,444	6,298,807	128,613	627,434	3,684,198	43,133,496
Expenditures:						
Instruction	20,744,379	5,264,339	-	-	-	26,008,718
Support services:						
Student	930,908	268,850	-	-	-	1,199,758
Instructional staff	1,253,918	480,633	-	-	-	1,734,551
District administration	810,457	345	-	-	-	810,802
School administration	1,641,808	-	-	-	-	1,641,808
Business	884,878	-	-	-	-	884,878
Plant operations and maintenance	3,509,967	22,312	-	-	212,272	3,744,551
Student transportation	2,691,758	48,965	-	-	-	2,740,723
Central office	-	-	-	-	-	-
Facilities and construction	125,490	-	1,973,977	-	-	2,099,467
Community service activities	-	353,387	-	-	-	353,387
Other	174,659	295	-	-	-	4,101,931
Total expenditures	32,768,222	6,439,126	1,973,977	3,926,977	212,272	45,320,574
Excess (deficit) of revenues over expenditures	(373,778)	(140,319)	(1,845,364)	(3,299,543)	3,471,926	(2,187,078)
Other financing sources (uses):						
Proceeds from sale of bonds	106,705	-	1,224,400	-	-	1,331,105
Proceeds from sale of fixed assets	91,708	-	-	-	-	91,708
Realized gains and losses and changes in market value	-	-	-	140,917	-	140,917
Operating transfers in	-	52,151	280,011	3,296,674	-	3,628,836
Operating transfers out	(156,910)	-	-	-	(3,471,926)	(3,628,836)
Total other financing sources (uses)	41,503	52,151	1,504,411	3,437,591	(3,471,926)	1,563,730
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(332,275)	(88,168)	(340,953)	138,048	-	(623,348)
Fund balance, July 1, 2007	1,146,595	88,168	103,651	1,152,689	-	2,491,103
Fund balance, June 30, 2008	\$ 814,320	\$ -	\$ (237,302)	\$ 1,290,737	\$ -	\$ 1,867,755

**BARREN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

Net changes in total fund balances per fund financial statements	\$ (623,348)
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Transfer to proprietary fund	(959,559)
------------------------------	-----------

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	2,796,490
---	-----------

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	2,284,237
---	-----------

Current year bond proceeds are other financing sources in the fund statements, but are shown as an increase in the liabilities of the government wide financial statements.	(1,940,660)
---	-------------

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(2,034,998)</u>
--	--------------------

Change in net assets of governmental activities	<u>\$ (477,838)</u>
---	---------------------

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 4,431,176	\$ 4,431,176	\$ 4,814,764	\$ 383,588
Motor vehicles	900,000	900,000	886,591	(13,409)
Utilities	2,350,000	2,350,000	1,963,239	(386,761)
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	150,000	150,000	101,450	(48,550)
Other local revenues	248,600	248,600	231,700	(16,900)
Intergovernmental - intermediate	-	-	-	-
Intergovernmental-state	18,022,563	18,022,563	24,364,983	6,342,420
Intergovernmental-indirect federal	-	-	-	-
Intergovernmental-direct federal	100,000	100,000	31,717	(68,283)
Total revenues	<u>26,202,339</u>	<u>26,202,339</u>	<u>32,394,444</u>	<u>6,192,105</u>
Expenditures:				
Instruction	15,299,802	15,299,802	20,744,379	(5,444,577)
Support services:				
Student	813,677	813,677	930,908	(117,231)
Instructional staff	1,107,737	1,107,737	1,253,918	(146,181)
District administration	1,893,168	1,893,168	810,457	1,082,711
School administration	1,647,614	1,647,614	1,641,808	5,806
Business	794,459	794,459	884,878	(90,419)
Plant operations and maintenance	3,012,894	3,012,894	3,509,967	(497,073)
Student transportation	2,253,062	2,253,062	2,691,758	(438,696)
Central office	-	-	-	-
Facilities acquisition and construction	281,103	281,103	125,490	155,613
Community service activities	-	-	-	-
Other	279,418	279,418	174,659	104,759
Total expenditures	<u>27,382,934</u>	<u>27,382,934</u>	<u>32,768,222</u>	<u>(5,385,288)</u>
Excess (deficit) of revenues over expenditures	<u>(1,180,595)</u>	<u>(1,180,595)</u>	<u>(373,778)</u>	<u>806,817</u>
Other financing sources (uses):				
Proceeds from sale of bonds	100,000	100,000	106,705	6,705
Proceeds from sale of fixed assets	9,000	9,000	91,708	82,708
Operating transfers in	-	-	-	-
Operating transfers out	(75,000)	(75,000)	(156,910)	(81,910)
Total other financing sources (uses)	<u>34,000</u>	<u>34,000</u>	<u>41,503</u>	<u>7,503</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(1,146,595)</u>	<u>(1,146,595)</u>	<u>(332,275)</u>	<u>814,320</u>
Fund balance, July 1, 2007	<u>1,146,595</u>	<u>1,146,595</u>	<u>1,146,595</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 814,320</u>	<u>\$ 814,320</u>

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Food Service Fund	Community Adult Education Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ -0-	\$ -	\$ -
Inventory	58,823	-	58,823
Accounts receivable			
Taxes - current	-	-	-
Taxes - delinquent	-	-	-
Accounts receivable	2,519	-	2,519
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	-	-	-
Intergovernmental - direct federal	45,013	-	45,013
Interest receivable	-	-	-
Investments	-	-	-
Total current assets	<u>106,355</u>	<u>-</u>	<u>106,355</u>
Noncurrent			
Capital assets	8,396,333	-	8,396,333
Less: accumulated depreciation	(2,190,376)	-	(2,190,376)
Investments	-	-	-
Total noncurrent assets	<u>6,205,957</u>	<u>-</u>	<u>6,205,957</u>
Total assets	<u>\$ 6,312,312</u>	<u>\$ -</u>	<u>\$ 6,312,312</u>
Liabilities			
<u>Current Liabilities</u>			
Checks issued in excess of cash	\$ 95,037	\$ -0-	\$ 95,037
Accounts payable	8,114	-	8,114
Accrued payroll and related expenses	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Current portion of long-term obligation	-	-	-
Accrued sick leave	-	-	-
Total current liabilities	<u>\$ 103,151</u>	<u>\$ -0-</u>	<u>\$ 103,151</u>
Net Assets			
Invested in capital assets			
net of related debt	\$ 6,205,957	\$ -0-	\$ 6,205,957
Unrestricted	3,204	-	3,204
Total net assets	<u>\$ 6,209,161</u>	<u>\$ -</u>	<u>\$ 6,209,161</u>

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Food Service Fund	Community Adult Education Fund	Total
Operating Revenues:			
Community service activities	\$ -0-	\$ 16,392	\$ 16,392
Lunchroom sales	1,150,980	-	1,150,980
Other operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,150,980</u>	<u>16,392</u>	<u>1,167,372</u>
Operating Expenses:			
Salaries and wages	1,152,367	-	1,152,367
Professional and contract services	147,013	18,455	165,468
Material and supplies	1,623,309	-	1,623,309
Depreciation	259,648	-	259,648
Other operating expenses	<u>1,874</u>	<u>-</u>	<u>1,874</u>
Total operating expenses	<u>3,184,211</u>	<u>18,455</u>	<u>3,202,666</u>
Operating loss	<u>(2,033,231)</u>	<u>(2,063)</u>	<u>(2,035,294)</u>
Non-Operating Revenues (Expenses)			
Gain (Loss) on equipment	(1,492)	-	(1,492)
Federal grants	1,416,071	-	1,416,071
Donated commodities	131,020	-	131,020
Contributions	-	-	-
State grants & funding	176,103	-	176,103
Transfer of capital assets	959,559	-	959,559
Interest income	<u>2,425</u>	<u>-</u>	<u>2,425</u>
Total non-operating revenues	<u>2,683,686</u>	<u>-</u>	<u>2,683,686</u>
Net income (loss)	650,455	(2,063)	648,392
Net assets, July 1, 2007	<u>5,558,706</u>	<u>2,063</u>	<u>5,560,769</u>
Net assets, June 30, 2008	<u>\$ 6,209,161</u>	<u>\$ -</u>	<u>\$ 6,209,161</u>

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Food Service Fund	Community Adult Education Fund	Total
Cash Flows From Operating Activities:			
Cash received from:			
Community service activities	\$ -0-	\$ 16,392	\$ 16,392
Lunchroom sales	1,150,980	-	1,150,980
Government grants	1,445,087	-	1,445,087
Other activities	959,559	-	959,559
Cash paid to/for			
Employees	(1,005,280)	-	(1,005,280)
Supplies	(1,485,446)	-	(1,485,446)
Other activities	(148,887)	(18,455)	(167,342)
Net cash provided (used)			
by operating activities	<u>916,013</u>	<u>(2,063)</u>	<u>913,950</u>
Cash Flows from Capital			
and Related Financing Activities:			
Purchase of capital assets	<u>(970,604)</u>	<u>-</u>	<u>(970,604)</u>
Cash Flows from Investing Activities:			
Receipt of interest income	<u>2,425</u>	<u>-</u>	<u>2,425</u>
Net increase (decrease) in cash			
and cash equivalents	(52,166)	(2,063)	(54,229)
Balances, beginning of year	<u>(42,871)</u>	<u>2,063</u>	<u>(40,808)</u>
Balances, end of year	<u>\$ (95,037)</u>	<u>\$ -</u>	<u>\$ (95,037)</u>
Reconciliation of operating income			
(loss) to net cash provided (used)			
by operating activities			
Net income (loss)	\$ 650,455	\$ (2,063)	\$ 648,392
Adjustments to reconcile operating			
income (loss) to net cash provided			
(used) by operating activities			
Depreciation	259,648	-	259,648
Gain(Loss) on equipment	1,492	-	1,492
Interest	(2,425)	-	(2,425)
Change in assets and liabilities			
Inventory	(13,537)	-	(13,537)
Accounts receivable	12,291	-	12,291
Checks issued in excess of cash	-	-	-
Accounts payable	<u>8,089</u>	<u>-</u>	<u>8,089</u>
Net cash provided (used)			
by operating activities	<u>\$ 916,013</u>	<u>\$ (2,063)</u>	<u>\$ 913,950</u>
Schedule of non-cash transactions:			
On Behalf Payments	<u>\$ 147,087</u>		
Donated commodities received			
from federal government	<u>\$ 131,020</u>		

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Fiscal Agent Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 41,851	\$ 505,975
Accounts receivable	<u>87,698</u>	<u>3,338</u>
Total assets	<u>\$ 129,549</u>	<u>\$ 509,313</u>
Liabilities		
Checks issued in excess of cash	\$ 87,698	7,000
Accounts payable	-	18,397
Due to student groups	<u>-</u>	<u>490,916</u>
Total liabilities	<u>87,698</u>	<u>516,313</u>
Net Assets Held in Trust	<u>\$ 41,851</u>	<u>\$ (7,000)</u>

See independent auditor's report and
 accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Fiscal Agent Fund
	<hr/>
Additions	
Fees	\$ 228,775
Other local revenue	8,581
Grant	-
Interest income	<hr/> 688
Total Additions	<hr/> 238,044
Deductions	
Salaries and benefits	245,203
Purchased services	3,550
Supplies and materials	4,050
Miscellaneous	<hr/> 2,700
Total deductions	<hr/> 255,503
Changes in net assets	(17,459)
Net assets, beginning of year	<hr/> 59,310
Net assets, end of year	<hr/> <hr/> \$ 41,851

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

1. Summary of Significant Accounting Policies:

Reporting Entity

The Barren County Board of Education, ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Barren County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Barren County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Barren County Board of Education Finance Corporation - On July 23, 1991, the Board of Education resolved to authorize the establishment of the Barren County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. District expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

I. Governmental Fund Types, Continued:

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- d. Debt Service Funds
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- a. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- a. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- b. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$.555 per \$100 valuation for real property, \$.555 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Comparative Data and Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

1. Summary of Significant Accounting Policies, Continued:

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

On-Behalf Payments

During the year ended June 30, 2008, the Kentucky Division of Finance made payments on behalf of Barren County Board of Education in amount of \$6,327,537. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2008.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

2. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Cash Deposits and Investments:

At year end, the carrying amount of the District's total investments and cash equivalents net of checks issued in excess of deposits was \$1,149,819. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution.

The Kentucky Legislature has placed limitations on investments and investment policy. No more than 20% can be invested in one or more of the following categories; uncollateralized certificates of deposit, banker's acceptances, commercial paper, or securities issued by a state or local government at any one time. The district has no investment policy that would further limit its investment choices. Cash equivalents are funds with a maturity of 90 days or less. The following is a schedule summarizing the District's investments and cash equivalents net of checks issued in excess of cash, at June 30, 2008.

<u>Type</u>	<u>Fair Values</u>	<u>Cash Equivalents (Net)</u>
Federal Home Loan Mortgage Co.	1,276,976	-
Checks Issued in Excess of Cash	(524,330)	(524,330)
Certificate of Deposits	397,173	397,173
Total	<u>\$ 1,149,819</u>	<u>\$ (127,157)</u>

Interest Rate Risk

The district regularly reviews investments amounts, rates, duration, and current market values of the funds invested. As a means of managing the district's exposure to fair value losses arising from increasing interest rates, the district primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The district places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Federal Home Loan Mortgage Co. These investments are 76% of the districts total investments.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

4. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,468,486	\$ 541,828	\$ -	\$ 2,010,314
Construction in Progress	11,924,415	2,081,449	(13,505,742)	500,122
Total Capital Assets, not being Depreciated	13,392,901	2,623,277	(13,505,742)	2,510,436
Capital Assets, being Depreciated:				
Buildings & Equipment	55,549,766	11,760,372	-	67,310,138
Technology Equipment	1,869,312	252,998	(71,624)	2,050,686
Technology Equipment - Adult Ed	59,286	4,550	(2,288)	61,548
Vehicles	3,495,612	609,555	(23,310)	4,081,857
General Equipment	1,815,476	79,708	-	1,895,184
Total Capital Assets, being Depreciated	62,789,452	12,707,183	(97,222)	75,399,413
Less Accumulated Depreciation:				
Buildings & Equipment	(14,576,070)	(1,460,577)	-	(16,036,647)
Technology Equipment	(1,375,225)	(195,627)	70,739	(1,500,113)
Technology Equipment - Adult Ed	(44,505)	(8,206)	2,288	(50,423)
Vehicles	(2,533,490)	(239,714)	23,310	(2,749,894)
General Equipment	(1,420,589)	(127,835)	-	(1,548,424)
Total Accumulated Depreciation	(19,949,879)	(2,031,959)	96,337	(21,885,501)
Governmental Activities Capital Assets - Net	<u>\$ 56,232,474</u>	<u>\$ 13,298,501</u>	<u>\$ (13,506,627)</u>	<u>\$ 56,024,348</u>
Proprietary Activities				
Capital Assets, being Depreciated:				
Buildings & Equipment	\$ 6,200,000	\$ 579,997	\$ -	\$ 6,779,997
Technology Equipment	9,790	-	-	9,790
General Equipment	1,232,513	393,133	(19,100)	1,606,546
Total Capital Assets being Depreciated	7,442,303	973,130	(19,100)	8,396,333
Less Accumulated Depreciation:				
Buildings & Equipment	(1,336,666)	(135,600)	-	(1,472,266)
Technology Equipment	(3,720)	(1,958)	-	(5,678)
General Equipment	(607,916)	(122,090)	17,574	(712,432)
Total Accumulated Depreciation	(1,948,302)	(259,648)	17,574	(2,190,376)
Proprietary Activities Capital Assets - Net	<u>\$ 5,494,001</u>	<u>\$ 713,482</u>	<u>\$ (1,526)</u>	<u>\$ 6,205,957</u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

4. Capital Assets, Concluded:

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Construction in progress consists of:

	<u>Cost</u>	<u>% Complete</u>
North Jackson Elementary	\$ 500,122	4.57%

5. Bonded Debt and Lease Obligations:

The original amount of the issue, the issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1998 (Refunding of 1991)	\$ 2,220,000	4.125% - 4.4%
Issue of 1998 (Red Cross)	\$ 5,485,000	4.25% - 5%
Issue of 1998 (Austin Tracy)	\$ 3,900,000	4% - 4.75%
Issue of 2001 (Park City)	\$ 3,750,000	3.4% - 4.9%
Issue of 2001 (Barren Co. High School)	\$ 1,457,600	-
Issue of 2002 (Temple Hill)	\$ 5,420,000	1.65% - 4.8%
Issue of 2002 (Refunding of 1993)	\$ 3,370,000	1.9% - 3.95%
Issue of 2004	\$ 14,120,000	3.5% - 5.00%
Issue of 2005 (Refunding of 1996)	\$ 2,810,000	3.0% - 3.7%
Issue of 2006	\$ 12,040,000	3.5% - 4.375%
Issue of 2008	\$ 1,270,000	2.4% - 4.375%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bond issued by the Barren County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In February, 1998, the Board approved the issuance of refunding revenue bonds in the amount of \$2,220,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1991. These bonds, accumulated interest costs and call premiums related to the 1991 issue, were paid on December 1, 1998, from the Bond Escrow Account. The estimated savings to the District as a result of the refunding is approximately \$141,000.

In July, 2001, the Board approved issuance of Qualified Zone Academy Bonds in amount of \$1,457,600. This required an initial investment by the School District of \$817,320, which at maturity in 2014, will be sufficient to defease the total principal. This \$817,320 investment is included on the financial statements as restricted debt service fund balance at market value of \$1,136,059.

In October, 2002, the Board approved the issuance of refunding revenue bonds in the amount of \$3,370,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1993. These bonds, accumulated interest costs and call premiums related to the 1993 issue, were paid on March 14, 2003, from the Bond Escrow Account.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

5. Bonded Debt and Lease Obligations, Continued:

In February, 2005, the Board approved the issuance of refunding revenue bonds in the amount of \$2,810,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1996.

In August, 2006, the Board issued bonds in the amount of \$12,040,000. These funds will be used in the construction of the Trojan Academy.

In 1991, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2008-09	\$ 1,935,000	\$ 1,966,594	\$ 626,804	\$ 3,274,790
2009-10	2,005,000	1,894,978	626,804	3,273,174
2010-11	2,080,000	1,820,026	626,803	3,273,223
2011-12	2,165,000	1,737,254	626,803	3,275,451
2012-13	2,250,000	1,651,604	626,803	3,274,801
2013-14	2,125,000	1,559,504	408,725	3,275,779
2014-15	3,657,600	1,468,921	394,074	4,732,447
2015-16	2,300,000	1,373,063	394,073	3,278,990
2016-17	2,385,000	1,270,855	376,051	3,279,804
2017-18	2,445,000	1,167,591	336,210	3,276,381
2018-19	2,520,000	1,053,521	294,663	3,278,858
2019-20	2,515,000	942,322	178,713	3,278,609
2020-21	2,635,000	825,508	178,713	3,281,795
2021-22	2,770,000	689,492	178,712	3,280,780
2022-23	2,915,000	541,556	178,713	3,277,843
2023-24	3,055,000	404,538	178,713	3,280,825
2024-25	3,190,000	258,894	171,228	3,277,666
2025-26	2,015,000	143,581	154,049	2,004,532
2026-27	2,065,000	56,013	122,440	1,998,573
2007-28	170,000	7,438	-	177,438
	<u>\$ 47,197,600</u>	<u>\$ 20,833,253</u>	<u>\$ 6,679,094</u>	<u>\$ 61,351,759</u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

5. Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2008, are as follows:

	Balance June 30, 2007	Additions	Debt Payments and Reductions	Balance June 30, 2008	Amount Due Within One Year
Series 1998	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
Series 1998	790,000	-	185,000	605,000	195,000
Series 1998	3,980,000	-	230,000	3,750,000	240,000
Series 1998	2,960,000	-	140,000	2,820,000	145,000
Series 2001	3,545,000	-	40,000	3,505,000	40,000
Series 2001	1,457,600	-	-	1,457,600	-
Series 2002	4,850,000	-	125,000	4,725,000	130,000
Series 2002	2,280,000	-	350,000	1,930,000	360,000
Series 2004	13,445,000	-	355,000	13,090,000	365,000
Series 2005	2,415,000	-	210,000	2,205,000	215,000
Series 2006	12,040,000	-	200,000	11,840,000	210,000
Series 2008	-	1,270,000	-	1,270,000	35,000
	<u>\$ 47,837,600</u>	<u>\$ 1,270,000</u>	<u>\$ 1,910,000</u>	<u>\$ 47,197,600</u>	<u>\$ 1,935,000</u>

Capitalization of Interest

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the Company. Interest capitalized for the year ended June 30, 2008 \$105,632.

6. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book value as of June 30, 2008</u>
Buses	\$ 1,114,689
Equipment	\$ 295,733

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

6. Capital Lease Payable, Concluded:

The following is a schedule by years of the furniture minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year Ending</u> <u>June 30</u>	<u>Capital Lease</u> <u>Payable</u>
2009	\$ 401,888
2010	287,679
2011	265,630
2012	215,841
2013	160,048
Thereafter	<u>405,807</u>
Total Minimum Lease Payments	1,736,893
Less: Amount representing interest	<u>(194,181)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,542,712</u>

7. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2008, as follows:

Year ending June 30:

2009	\$ 50,372
2010	44,228
2011	<u>10,544</u>
Total Minimum Rentals	<u>\$ 105,144</u>

Rent expense for the year ended June 30, 2008 was \$45,341.

8. Retirement Plans:

The Barren County Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

8. Retirement Plans, Continued:

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a Board contribution of 16.17% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$25,354,504. The payroll for employees covered under KTRS was \$18,777,444 and for CERS was \$5,976,298. For the year ended June 30, 2008, the Commonwealth contributed \$1,312,892 to KTRS for the benefit of our participating employees.

The contribution requirement for CERS for the year ended June 30, 2008, was \$1,265,181 which consisted of \$966,363 from the Board and \$298,818 from the employees. The Board paid \$172,055 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	CERS as of June 30, 2007	CERS as of June 30, 2006 (In Thousands)	CERS as of June 30, 2005
Assets available for benefits, at fair value	\$ 7,107,113	\$ 6,677,969	\$ 6,511,562
Pension benefit obligation	<u>8,868,182</u>	<u>8,199,712</u>	<u>7,180,924</u>
(Under funded) / over funded pension benefit obligations	<u>\$ (1,761,069)</u>	<u>\$ (1,521,743)</u>	<u>\$ (669,362)</u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

8. Retirement Plans, Continued:

The following table presents the last three years of the total of all employer contributions to the Plan and the Company's contributions for the year ending June 30:

Total Plan Contributions Nonhazardous - CERS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 269,393,035	\$ 281,493,082	104.49%
2006	\$ 215,947,317	\$ 217,314,868	100.63%
2005	\$ 159,730,588	\$ 161,255,053	100.95%

Company Contributions – CERS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2008	\$ 1,265,182	\$ 1,265,182	100.00%
2007	\$ 980,228	\$ 980,228	100.00%
2006	\$ 769,790	\$ 769,760	100.00%

	KTRS as of June 30, 2007	KTRS as of June 30, 2006	KTRS as of June 30, 2005
	<u>(In Thousands)</u>		
Assets available for benefits, at fair value	\$ 15,285,000	\$ 14,857,600	\$ 14,598,800
Pension benefit obligation	<u>21,255,000</u>	<u>20,324,700</u>	<u>19,134,800</u>
(Under funded)/over funded pension benefit obligations	<u>\$ (5,970,000)</u>	<u>\$ (5,467,100)</u>	<u>\$ (4,536,000)</u>

Total Plan Contributions – KTRS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2007	\$ 494,600,000	\$ 494,600,000	100.00%
June 30, 2006	\$ 406,100,000	\$ 406,100,000	100.00%
June 30, 2005	\$ 383,800,000	\$ 383,800,000	100.00%

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

8. Retirement Plans, Concluded:

Company Contributions – KTRS

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2008	\$ 1,312,892	\$ 1,312,892	100.00%
June 30, 2007	\$ 1,232,863	\$ 1,232,863	100.00%
June 30, 2006	\$ 1,904,155	\$ 1,904,155	100.00%

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

9. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

10. Insurance and Related Activities:

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers Compensation Insurance.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED
June 30, 2008

11. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Deficit Operating Balances:

The following funds have a deficit fund balance. These funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$ 332,275
Special Revenue	88,168
Construction Fund	340,953
Community Adult Ed. Fund	2,063

13. COBRA:

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

14. Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 52,151
Building	Building	Construction	Construction	280,011
Debt	General	Debt Service	Debt	104,759
Debt	Building	Debt Service	Debt	2,996,317
Debt	Capital Outlay	Debt Service	Debt	195,598

BARREN COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED
June 30, 2008

15. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

16. Subsequent Events:

On September 11, 2008 the District issued energy conservation revenue bonds, Series 2008, in the amount of \$1,740,000. Interest rates for the Series 2008 bonds range from 2.5% to 4.65%, and will mature on September 1, 2028.

On September 17, 2008 the District issued school building revenue bonds, Series 2008B, in the amount of \$10,210,000. The Series 2008B bonds will mature on September 1, 2028, and have interest rates ranging from 2% to 4.7%. The bonds were issued to finance the construction of North Jackson Elementary School.

17. Prior Period Adjustment:

The District has determined that certain transactions were recorded incorrectly in a prior year within the fixed assets of the Governmental Activities. The District discovered that fixed assets had been overstated by \$4,376,603. The effect of the restatement was to decrease the District's Governmental fixed assets and net assets by \$4,376,603. This restatement had no effect on the depreciation expense or the change in net assets in the prior years.

SUPPLEMENTARY INFORMATION

BARREN COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets and resources:			
Cash and cash equivalents	\$ -0-	\$ -0-	\$ -0-
Inventory	-	-	-
Accounts receivable:			
Taxes-current	-	-	-
Taxes-delinquent	-	-	-
Accounts receivable	-	-	-
Intergovernmental-state	-	-	-
Intergovernmental-indirect federal	-	-	-
Intergovernmental-direct federal	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Interest receivable	-	-	-
Investments	-	-	-
Furniture and equipment, net	-	-	-
Total Assets and Resources	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ -0-	\$ -0-	\$ -0-
Accrued payroll and related expenses	-	-	-
Current portion of accumulated sick leave	-	-	-
Deferred revenues	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Inventory and fixed assets	-	-	-
Encumbrances	-	-	-
Accrued sick leave	-	-	-
Unreserved:			
Undesignated, reported in:			
General fund	-	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent funds	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes:			
Property	\$ -0-	\$ 2,034,588	\$ 2,034,588
Motor vehicles	-	-	-
Utilities	-	-	-
Other	-	-	-
Tuition and fees	-	-	-
Earnings on investments	-	-	-
Other local revenues	-	-	-
Intergovernmental-intermediate	-	-	-
Intergovernmental-state	407,870	1,241,740	1,649,610
Intergovernmental-indirect federal	-	-	-
Intergovernmental-direct federal	-	-	-
Total revenues	<u>407,870</u>	<u>3,276,328</u>	<u>3,684,198</u>
Expenditures:			
Instruction	-	-	-
Support services:			
Student	-	-	-
Instructional staff	-	-	-
District administration	-	-	-
School administration	-	-	-
Business	-	-	-
Plant operations and maintenance	212,272	-	212,272
Student transportation	-	-	-
Central office	-	-	-
Facilities and construction	-	-	-
Community service activities	-	-	-
Other	-	-	-
Total expenditures	<u>212,272</u>	<u>-</u>	<u>212,272</u>
Excess (deficit) of revenues over expenditures	<u>195,598</u>	<u>3,276,328</u>	<u>3,471,926</u>
Other financing sources (uses):			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of fixed assets	-	-	-
Realized gains and losses and changes in market value	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(195,598)	(3,276,328)	(3,471,926)
Total other financing sources (uses)	<u>(195,598)</u>	<u>(3,276,328)</u>	<u>(3,471,926)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund balance, July 1, 2007	-	-	-
Fund balance, June 30, 2008	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See independent auditor's report and
accompanying notes to basic financial statements.

BARREN COUNTY HIGH SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2008

	Cash Balance July 1, 2007	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2008	Accounts Receivable	Accounts Payable	Balance June 30, 2008
ACADEMIC TEAM	\$ 3,374	\$ 1,210	\$ 1,894	\$ 2,690	\$ -0-	\$ -0-	\$ 2,690
AFTER PROM	2,486	8,499	8,694	2,291	-	-	2,291
AG SHOP	1,143	5,631	5,896	878	-	-	878
AGRICULTURE	-	1,145	1,145	-	-	-	-
ART	1,290	543	453	1,380	-	1,300	80
ATHLETIC	40,876	144,138	143,044	41,970	492	99	42,363
BAND	7,668	54,019	51,079	10,608	-	-	10,608
BASEBALL	2,813	17,351	20,164	-	-	-	-
BETA CLUB	787	19,378	20,108	57	-	-	57
BOOSTER/VENDING	-	6,095	4,590	1,505	-	-	1,505
BOYS BASKETBALL	4,592	16,498	16,875	4,215	-	34	4,181
BOYS GOLF	194	441	444	191	-	-	191
BUSINESS	244	1,269	1,493	20	-	-	20
BUSINESS TECH ACADEMY	1,806	-	1,806	-	-	-	-
CHEERLEADERS	5,357	53,500	52,700	6,157	-	902	5,255
CHORUS	1,637	10,753	11,914	476	-	-	476
CROSS COUNTRY B. & G.	442	1,057	1,499	-	-	-	-
CROSS COUNTRY BOYS BDGT.	-	1,255	1,098	157	-	-	157
D A R E	1,575	2,797	938	3,434	-	-	3,434
DANCE TEAM	1,880	11,231	9,958	3,153	-	2,688	465
DRAMA	1,861	3,115	3,064	1,912	-	-	1,912
DRAMA CLUB	2,391	749	1,391	1,749	-	-	1,749
FACS	230	5,795	5,877	148	-	-	148
FBLA	695	7,733	6,823	1,605	-	30	1,575
FCA	3,454	529	1,401	2,582	-	-	2,582
FEA	725	300	811	214	-	-	214
FFA	1,680	54,701	51,006	5,375	-	1,269	4,106
FCCLA	-	5,882	5,614	268	-	-	268
FMD1	-	324	175	149	-	-	149
FMD2	-	359	309	50	-	-	50
FLOWER FUND	251	544	406	389	-	17	372
FOOTBALL	3,468	36,312	39,453	327	-	-	327
FOREIGN LANGUAGE	2,029	7,648	8,312	1,365	-	-	1,365
FRESHMEN	2,322	2,226	2,322	2,226	-	-	2,226
GENERAL	4,721	36,425	38,855	4,291	-	3,259	1,032
GIRLS BASKETBALL	2,148	6,278	7,140	3,286	-	-	3,286
GIRLS CROSS COUNTRY BDGT.	1,187	1,425	1,708	904	-	-	904
GIRLS GOLF	2,459	792	1,930	1,321	-	-	1,321
GIRLS SOFTBALL	1,194	22,229	17,066	6,357	-	412	5,945
GREENHOUSE	8,921	10,997	11,681	8,237	-	-	8,237
HANDICAPPED ATHLETIC	214	230	200	244	-	-	244
HELP DESK	1,343	1,510	2,724	229	-	-	229
JUNIORS	6,953	27,413	30,744	3,622	-	-	3,622
KEY CLUB	579	1,027	212	1,394	-	-	1,394
LIBRARY FUND	2,615	1,862	1,883	2,594	-	-	2,594
MATH & SCIENCE CLUB	-	1,595	1,595	-	-	-	-
MEDIA	23,534	43,191	41,247	25,478	-	-	25,478
MULTI MEDIA	600	400	208	792	-	-	792
PEP CLUB	2,520	10,075	9,810	2,785	-	-	2,785
PHYSICAL EDUCATION	674	4,395	4,926	143	-	-	143
SCHEDULES	2,820	62,954	65,109	665	-	-	665
SCHOOL STORE	95	7,718	7,257	556	-	-	556
SCIENCE	-	11,804	6,343	5,461	-	-	5,461
SENIORS	210	8,866	8,133	943	-	943	-
SOCCER, BOYS	45	4,145	3,799	391	-	-	391
SOCCER, GIRLS	-	4,025	2,296	1,729	-	-	1,729
SOCIAL STUDIES CLUB	60	1,739	970	829	-	-	829
SOPHOMORES	3,981	4,572	3,981	4,572	-	-	4,572
SPANISH HONOR SOCIETY	-	-	-	-	-	-	-
STUDENT ASST. PROGRAM	1,296	-	12	1,284	-	-	1,284
STUDENT SENATE	398	500	295	603	-	-	603
SWIMMING	180	2,250	2,098	332	-	-	332
TENNIS	3,308	6,378	6,625	3,061	-	-	3,061
TEXTBOOKS	518	71,135	71,139	514	-	-	514
TRACK, BOYS	2,238	2,935	2,428	2,747	-	-	2,747
TRACK, GIRLS	1,052	2,695	2,036	1,711	-	-	1,711
TROJAN TRIBUNE	1,525	2,015	2,821	719	-	-	719
VENDING MACHINES	1,655	27,944	26,999	2,600	377	5	2,972
VIDEO	2,996	415	-	3,411	-	-	3,411
VOLLEYBALL	2,181	7,323	7,273	2,231	-	-	2,231
Y CLUB	545	4,325	4,128	742	-	-	742
INVESTMENT INCOME	9,002	5,471	-	14,473	-	-	14,473
	<u>\$ 191,037</u>	<u>\$ 896,180</u>	<u>\$ 878,425</u>	<u>\$ 208,792</u>	<u>\$ 869</u>	<u>\$ 10,958</u>	<u>\$ 198,703</u>

(1) Included in receipts and disbursements are inter-fund transfers in the amount of \$116,882.

MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2008

	Cash Balance July 1, 2007	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2008	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2008
BARREN CO. MIDDLE SCHOOL	\$ 111,925	\$ 344,176	\$ 340,483	\$ 115,618	\$ 2,469	\$ 4,426	\$ 113,661
AUSTIN TRACY	21,019	88,170	89,437	19,752	-	-	19,752
EASTERN ELEMENTARY	30,880	137,639	145,174	23,345	-	-	23,345
HISEVILLE ELEMENTARY	30,224	99,216	98,404	31,036	-	-	31,036
PARK CITY ELEMENTARY	36,948	110,801	109,189	38,560	-	2,091	36,469
RED CROSS ELEMENTARY	56,092	299,768	316,769	39,091	-	922	38,169
TEMPLE HILL ELEMENTARY	27,484	187,199	184,901	29,782	-	-	29,782
TOTAL	\$ 314,572	\$ 1,266,969	\$ 1,284,357	\$ 297,184	\$ 2,469	\$ 7,439	\$ 292,214

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$59,523.

BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed-through State Department of Education:			
School Nutrition Cluster			
School Breakfast Program	10.553	7760005 08	\$ 407,522
National School Lunch Program	10.555	7750002 08	955,644
Summer Meal Program	10.559	7740023 07	52,905
State Match	10.555	77500 06	-
Passed-through State Department of Agriculture:			
Food distribution/Commodities	10.550	77506	<u>131,020</u>
Total Department of Agriculture			<u>\$ 1,547,091</u>
<u>U.S. Department of Education</u>			
Passed-through State Department of Education:			
Title I:			
2007 Project	84.010	3100002 07	\$ 67,345
2008 Project	84.010	3100002 08	782,201
Migrant:			
2007 Project	84.011	3110002 07	126,205
2008 Project	84.011	3110002 08	164,076
Education Technology:			
2006 Project	84.318	3210002 06	14,932
2007 Project	84.318	3210002 07	8,103
2008 Project	84.318	3210002 08	7,412
Safe and Drug-Free Schools:			
2007 Project	84.186	3410002 07	5,868
2008 Project	84.186	3410002 08	19,087
Handicapped Preschool and School Programs:			
Special Education Cluster			
2007 Project - Special Education	84.027	3810002 07	183,155
2008 Project - Special Education	84.027	3810002 08	817,884
2007 Preschool	84.173	3800002 07	8
2008 Preschool	84.173	3800002 08	36,752
Title II: (Improving Teacher Quality)			
2008 Project	84.367	3230002 08	211,792
Title I A-06	84.010	3100002 06	-
Title I A-07	84.010	3100002 07	-
Vocation Education-07	84.048	4620732 07	871
Vocation Education-08	84.048	4620732 08	28,317
Career Tech 07	84.048	4620732 07	349
Learn & Serve America 07	94.004	1000002 07	2,521
Learn & Serve America 08	94.004	1000002 08	475
National Comm Service 08	84.287	3400002 08	345
Innovative Education Program	84.298	3500002 07	775
English Langue Acquisition 07	84.365	3300002 07	700
English Langue Acquisition 08	84.365	3300002 08	13,283
Youth Service 08	93.938	2000001 08	<u>1,000</u>
Total Department of Education			<u>\$ 2,493,456</u>
Total Federal Assistance			<u>\$ 4,040,547</u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2008

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Barren County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008**

II. FINANCIAL STATEMENTS FINDINGS

Finding 2008-1: During our audit, we noted that the District needed improvement upon its segregation of duties within the finance department.

Recommendation: A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the District's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency.

- We recommend that the individual who posts to the general ledger system and reconciles the bank statement should not sign checks in the normal course of business.
- We recommend that Senior Management review and approve all District invoices before payment.
- Bank statements, canceled checks and appropriate advices should be received and reviewed by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to reconciliation and unusual items noted during the review and investigated promptly.
- We recommend that accounting personnel be cross trained and familiar with one another's duties so that in the event of a prolonged absence of any one personnel will not be detrimental to the operations of the District.

Response: Management has elected to assign other personnel the responsibility of signing checks in the normal course of business. Senior Management will also review all invoices before payment.

Finding 2008-2: Record keeping procedures for the recording of fixed assets within the various divisions of the District need to be more efficiently reviewed and updated.

Recommendation: We recommend that the facilities manager assist in review of the capitalization of fixed assets with the finance officer to insure complete recording of fixed asset expenditures. We also suggest that during these periods of review, capital asset expenditures be analyzed at the division level and activity be traced to the source documents of the expenditures. Furthermore we recommend that during these periods of review that a summary of fixed assets be submitted from the different divisions. Also, we recommend that during periods of construction, that the facilities manager maintain a spreadsheet to better track costs of construction that have overlapping fiscal years.

Response: During managements periodic reviews, the finance officer and the facilities manager will better communicate with the different divisions and use source documents to insure the complete capitalization of fixed assets.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- a. No matters were reported.

**BARREN COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2008**

There were no prior year audit findings.

CAMPBELL, MYERS & RUTLEDGE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
CHARLESE E. RUTLEDGE, CPA
CINDY L. GREER, CPA
L. JOE RUTLEDGE, CPA
JONATHAN W. BELCHER, CPA

WILLIAM E. MYERS, CPA
R. BRENT BILLINGSLEY, CPA
SAMMIE D. PARSLEY, CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-6677

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education as of and for the year ended June 30, 2008, which collectively comprise the Barren County Board of Education's basic financial statements and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Barren County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barren County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Barren County Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Barren County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Barren County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by Barren County Board of Education's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item # 2008-1 and item # 2008-2 as significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Barren County Board of Education's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barren County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Barren County Board of Education, in a separate letter dated November 25, 2008.

Barren County Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Barren County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of Barren County Board of Education, the Kentucky Department of Education management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Rathledge, PLLC

Certified Public Accountants
Glasgow, Kentucky

November 25, 2008

CAMPBELL, MYERS & RUTLEDGE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
CHARLES E. RUTLEDGE, CPA
CINDY L. GREER, CPA
L. JOE RUTLEDGE, CPA
JONATHAN W. BELCHER, CPA

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-8677

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

WILLIAM E. MYERS, CPA
R. BRENT BILLINGSLEY, CPA
SAMMIE D. PARSLEY, CPA

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

Compliance

We have audited the compliance of Barren County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Barren County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Barren County Board of Education's management. Our responsibility is to express an opinion on Barren County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State Audit Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barren County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Barren County Board of Education's compliance with those requirements.

In our opinion, Barren County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Barren County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Barren County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Barren County Board of Education's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. In addition, the results of our test disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Barren County Board of Education, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Ratledge, PLLC
Certified Public Accountants
Glasgow, Kentucky

November 25, 2008

CAMPBELL, MYERS & RUTLEDGE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
CHARLES E. RUTLEDGE, CPA
CINDY L. GREER, CPA
L. JOE RUTLEDGE, CPA
JONATHAN W. BELCHER, CPA

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-6677

WILLIAM E. MYERS, CPA
R. BRENT BILLINGSLEY, CPA
SAMMIE D. PARSLEY, CPA

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

In planning and performing our audit of the financial statements of the Barren County Board of Education as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Barren County Board of Education's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Improper Segregation of Duties

- A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the District's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency. We recommend that the individual who posts to the general ledger system and reconciles the bank statement should not sign checks in the normal course of business. We recommend that Senior Management review and approve all District invoices before payment. Bank statements, canceled checks and appropriate advices should be received and reviewed by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to reconciliation and unusual items noted during the review and investigated promptly. We recommend that accounting personnel be cross trained and familiar with one another's duties so that in the even of a prolonged absence of any one personnel will not be detrimental to the operations of the District.

Capitalization Policy

- Record keeping procedures for the recording of fixed assets within the various divisions of the District need to be more efficiently reviewed and updated. We recommend that the facilities manager assist in review of the capitalization of fixed assets with the finance officer to insure complete recording of fixed asset expenditures. We also suggest that during these periods of review, capital asset expenditures be analyzed at the division level and activity be traced to the source documents of the expenditures. Furthermore we recommend that during these periods of review that a summary of fixed assets be submitted from the different divisions. Also, we recommend that during periods of construction, that the facilities manager maintain a spreadsheet to better track costs of construction that have overlapping fiscal years.

During our audit we also became aware of other matters involving internal control, its operation, and operating efficiency that we have reported to the management of Barren County Board of Education in a separate memorandum that accompanies this letter.

This communication is intended solely for the information and use of management, and the Kentucky Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

November 25, 2008

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2008**

UNCORRECTED PRIOR YEAR COMMENTS

Barren County High School

Comment: Cash receipts were not deposited into the bank in a timely manner.

Recommendation: Deposit cash receipts on a daily basis when amounts on hand are in excess of \$100 in accordance with *Red Book* guidelines.

Response: Management will adopt the policy of daily cash deposits.

CURRENT YEAR COMMENTS

Barren County High School

Comment: We noted that certain employees were reimbursed for travel expenses that did not meet the guidelines as set forth in the *Barren County Schools Employee Handbook*.

Recommendation: We recommend that all employees be reminded of the policies set forth within the Barren County Schools Employee Handbook, specifically principals, school treasurers and department heads in order to insure that inappropriate expense reimbursement requests are not approved and paid.

Response: Management reinforce to those in charge of the disbursement of funds to be cognizant of the *Barren County Schools Employee Handbook*.

Hiseville Elementary School:

Comment: An activity fund ended the fiscal year with a deficit balance.

Recommendation: We recommend all school activity fund treasurers are educated about proper policy procedures regarding fund balance financial reporting according to the "Red Book."

Response: Management will educate all school activity fund treasurers.

State Committee of School District Audits
Frankfort, KY

The Barren County Board of Education certifies that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the report.

SUBMITTED, December 2, 2008 Barren County Board of Education
Board of Education

Robert B. Fono Chairman

[Signature] Secretary

C. L. M. Auditor Representative

Send ONE (1) copy of this statement no later than November 17, 2008 to:
Division of District Operations
Kentucky Department of Revenue
500 Mero Street, CPT 15th Floor
Frankfort, KY 40601

